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U.S. OFFICIALS ONLY*Draft*CENTRAL INTELLIGENCE GROUP
INTELLIGENCE REPORT

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COUNTRY China

DATE:

SUBJECT Economic Information: Manchuria Heavy
Industrial Development Corporation

INFO. As stated

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SUPPLEMENT



In January, 1936, the Manchukuo government announced the following Five Years Industrial Plan:

<u>Product</u>	<u>Development Goal</u>
Steel	2,000 thousand kilograms
Pig Iron	2,530
Mineral Ore <i>[?]</i>	8,500
Aluminum	2,000 <i>/sic?</i> kilograms
Magnesium	200
Lead	1,2400 <i>/sic?</i>
Coal	25,000
Automobiles	4,000
Airplanes (training ships)	340
Estimated Necessary Capital: 474,000,000 yen	

The Manchuria Heavy Industrial Development Corporation was established in January, 1938. It was a holding company with a capital of 450,000,000 *yen* and had financial control and management of heavy industries: steel, light metals, coal, other minerals, etc. The Manchurian Government was to supply materials to the value of half the capitalization. Stockholders were to be guaranteed a profit of 6%, by agreement between AIKAWA *(then president of the company)*, the Manchurian and Japanese Governments.

In May, 1938, the industrial plan was revised as follows:

<u>Product</u>	<u>Goal</u>	<u>Document No.</u>
Copper	3,000 thousand kilograms	<i>3</i>
Ore <i>[?]</i>	7,730	NO CHANGE in Class. <input checked="" type="checkbox"/>
Pig Iron	4,850	<input type="checkbox"/> DECLASSIFIED
Steel billet	3,550	Class. CHANGED TO: TS S C
Ordinary Steel	1,700	DDA Memo, 4 Apr 77
Special Steel	100	Auth: DDA REG. 77/1763
Coal	34,910	Date: <i>290378</i> By: <i>025</i>

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EXEC.	FBI	FRX	SPDT	GFCB		
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PLANS	X FEP	SPDA	TRB			

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Aluminum	30,000	kilograms
Magnesium	3,000	
Lead	29,000	
Zinc	50,000	
Alluvial Gold	53	
Mountain Gold	27	
Automobiles	30,000	vehicles
Airplanes (training ships and others)	5,000	
Estimated Necessary Capital:		2,000,000,000 yen

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The Manchurian Heavy Industries Company [sic] was established in order to carry out the revised five year plan. [redacted] note: on page 1 it is stated that the Manchuria Heavy Industrial Development Corporation was established in January, 1938, and the five year plan was revised in May, 1939.

For twenty odd years TAKASAKI had been developing the canning industry of Japan. In May, 1939, on the invitation of his friend AIKAWA (赤川), President of the Manchuria Heavy Industrial Development Corporation, he visited Manchuria with the hope of alleviating Japan's steel shortage by Manchurian production and of developing the Manchurian canning industry. AIKAWA had been given the task of developing the natural resources for Manchurian heavy industry. Foreign capital and technical assistance, especially American technical aid, was to be sought, in order to establish "a paradise with righteous government, which was a primary object of the independence of Manchuria." TAKASAKI was to aid in developing agriculture. He planned to bring 100 American Nisei farmers with agricultural implements to Manchuria, where each was to receive free of charge 100 acres of land, as the first step in developing the American mechanized type of farming in Manchuria. This plan could not be put into effect as it was against the policy of the Kwantung Army.

As Japan's industrial position grew more serious, and hope of securing American investment and technical knowledge in Manchuria faded, TAKASAKI went to Manchuria again in February, 1941, to be Vice-president of the Manchuria Heavy Industrial Development Corporation under AIKAWA for three years.

After becoming Vice-president of the Manchurian Heavy Industries [sic] TAKASAKI found the total capital of the company as of December, 1940, to be 1,443,777,000 yen, divided as follows:

<u>Company</u>	<u>Paid up capital and total of loans (end of 1940)</u>
Showa Steel Works	289,049 Yen
Manchurian Colliery Company	524,902
Manchurian Light Metals Company	104,447
Manchurian Mining Company	122,436
Special Steel Company	2,375
Tohendo (東邊道) Tungpiantao Development Co.	113,572
Dowa (同和) Automobile Company	10,107
Manchurian Automobile Company	7,035
Manchurian Airways Company	80,205
Honkeiko (本溪湖) Penheihu Steel and Coal Co.	155,205
Kyowa (京華) Iron Mine Company	5,702
Manchurian Boring Company	353
Total	1,443,777

TAKASAKI concluded that during his three years in office it would be possible to meet the goals of the first industrial plan but that a capital equal to that of the revised plan would be needed. Military and government

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factions would not listen to these arguments. TAKASAKI was told to accomplish as much as possible, with a yearly finance of 5,000,000 yen, and that the MHI Company should raise capital. Manchuria was consuming a huge amount of capital and materials without producing a proportionate amount. Therefore, a restriction was placed on material and capital going into Manchuria. TAKASAKI believed that it was the intent of these restrictions to return to the original five year plan.

After entering his job, TAKASAKI inspected all of his factories. He found that while construction was going on constantly there were many idle factories. For example, the smelting furnaces of Miyanhara (密原 Kung Yuan) and Anshan (鞍山) were not working because of lack of coal. The government instigated a strict planned economy and rationing system, which was unsuccessful because administered by inexperienced officials. Materials would not be delivered in the order in which needed, exchange of materials between companies was controlled, and ration tickets were issued in excess of materials available.

The following is a comparison of investments and production in the Manchuria Heavy Industries Companies.

<u>Year</u>	<u>Investment</u> (in 1000's of yen)	<u>Production</u> (in 1000's of yen)
1939	638,471	273,599
1940	1,123,303	356,610
1941	1,498,039	541,469
1942	1,781,639	702,645
1943	2,363,770	965,368
1944	3,409,340	1,308,344

TAKASAKI found Chinese laborers in the coal mining and factory districts living in dirty houses and having only coarse food. Their living conditions affected the efficiency of their work. The following is a chart of the output of one former worker in the Fushun Coal Mines:

<u>Year</u>	<u>Open-air digging</u>	<u>Pit digging</u>
1937	100	95
1938	93	82
1939	87	57
1940	74	47
1941	69	46
1942	64	37
1943	44	29

The first air raid on Anshan occurred July, 1944, and was followed by three others on Anshan and two on Mukden. Against TAKASAKI's advice, the Japanese authorities decided to scatter the Manchurian factories. It was this dispersal, rather than damage by air raids, which was responsible for the drop in production.

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After the Soviet occupation, reports came in from members of the company's staff stating that the Soviets had detached ██████████ note: ? dismantled / all the facilities of the various factories and were sending them to the Soviet Union. About October 20 Colonel Sladokoffsky [transliteration] of the Soviet Army stated that because the Manchurian Heavy Industries Company had worked for the Kwantung Army, the commander of the army of occupation would take over, and as the negotiations on the establishment of the arbitrary Chinese-Russian Heavy Industries Company were still in progress,

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TAKASAKI was to sign papers turning over the total assets. On October 28, after a few changes had been made, the papers were signed.

The Soviets left Changchun on April 12. The Eighth Route Army promptly attacked the city and captured it a few days later. The "Socialist-Democratic Army" established the Northeast Industrial Investigation Bureau, with WANG Hsin-san (王新三) as its head. On May 7 TAKASAKI was arrested as a war criminal for cooperating with the Japanese army. The following day he was offered a release by WANG Hsin-san and SAKAMAKI (坂巻), a communist, if he would work for the Northeast Industrial Investigation Bureau. TAKASAKI agreed to this and began investigating the principal industries in Eighth Route Army territory. Plans to send a number of technicians to Harbin had to be abandoned because of the rapid advance of the Nationalist Army. The Communists retreated to Harbin on the 22nd and the Nationalist Army entered Changchun on May 23.

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